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INTEGRATED DIAMOND MANAGEMENT & POLICY (IDMP) PROGRAM

THIRD QUARTERLY ACTIVITY REPORT: 1 APRIL-30 JUNE 2005

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IDMP PROGRAM

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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1. EXECUTIVE SUMMARY

The Integrated Diamond Management Program (IDMP) aims to improve management of Sierra Leone's diamond sector at both national and local levels. It strives to increase benefits to government and communities through improved management of the resource. Bringing diamond mining and marketing into the formal sector increases government revenues through taxes and licenses while reducing security threats from diamond smuggling. Meanwhile, the innovative Diamond Area Community Development Fund releases funds from export taxes for community development within diamond producing chiefdoms, encouraging citizens to both produce and export legally. These measures complement the effectiveness of the international Kimberley Process. The table demonstrates the efficacy of this coordinated effort in increasing legal diamond exports.

TABLE 1: SIERRA LEONE DIAMOND EXPORT FIGURES FOR PERIOD AND FY¹

Period	FY 2005 Exports			FY 2004 Exports	FY 2003 Exports
	Carats	\$ Value	\$Value per Carat	\$ Value	\$ Value
1st Quarter	134,477	\$25,857,164	\$192.28	\$19,122,514	\$11,212,576
2nd Quarter	147,469	\$28,363,664	\$192.34	\$28,866,917	\$16,526,536
3rd Quarter	195,994	\$46,964,660	\$239.62	\$39,415,785	\$20,563,897
Year Total to date	477,940	\$101,185,488	\$211.71	\$87,405,216	\$48,303,009
% Change Year FY05 v 04	-7.8%	13.6%	19.9%	Value per carat \$170	Value per carat \$139

The above table displays steady increases in the value of legal diamond exports and in the average carat value of diamonds exported. This reflects continued progress in bringing informal mining and smuggling into the formal sector. Although rough diamond prices have risen by approximately 30% over the past two years, the values in Sierra Leone have increased by over 50%. This may indicate a strong acceptance to bring better quality goods into the formal export regime, improved valuation by the GOSL, or a combination of the two factors.

A study of the continued reduction in volume of carats produced raises concern, as there is an 18% reduction in the alluvial artisanal sector. It is possible that many producers are operating less profitably, which may be constraining the availability of finance for artisanal production. We continue to monitor this issue closely.

Success of the Integrated Diamond Management program hinges on maintaining positive working relationships with the Government of Sierra Leone (GOSL) and with the communities in Kono and Tongo Fields that are beneficiaries of the program. The maintenance of both political will and constituency collaboration is integral to the promotion of policy and management changes that can lead to increased local income and improved security.

Activity during the period was dominated by working on the core IDMP component, Integrated Diamond Management (IDM). The five cooperatives remained busy mining during the period and, as this reporting period came to an end, washing of gravels commenced. Although cooperatives have been nagged by unseasonable weather, the intensity of work is encouraging. While it is hoped that results will reflect the effort, there is great encouragement that cooperative work improves not only financial distribution and transparency, but also the dignity of those participating.

¹ Source: Sierra Leone Government Gold and Diamond Department

Both key scopes of work (SOWs) – the external program monitoring by Global Witness and the other for environmental management work by CEMMATS – commenced. Visits by Global Witness have been extremely useful as the program builds up its operational systems for the cooperative mining. Developing systems to effectively implement the IDM program remains an immense challenge. Sadly, CEMMATS has been somewhat slower in getting started, and impacts from this work will not be felt until next season.

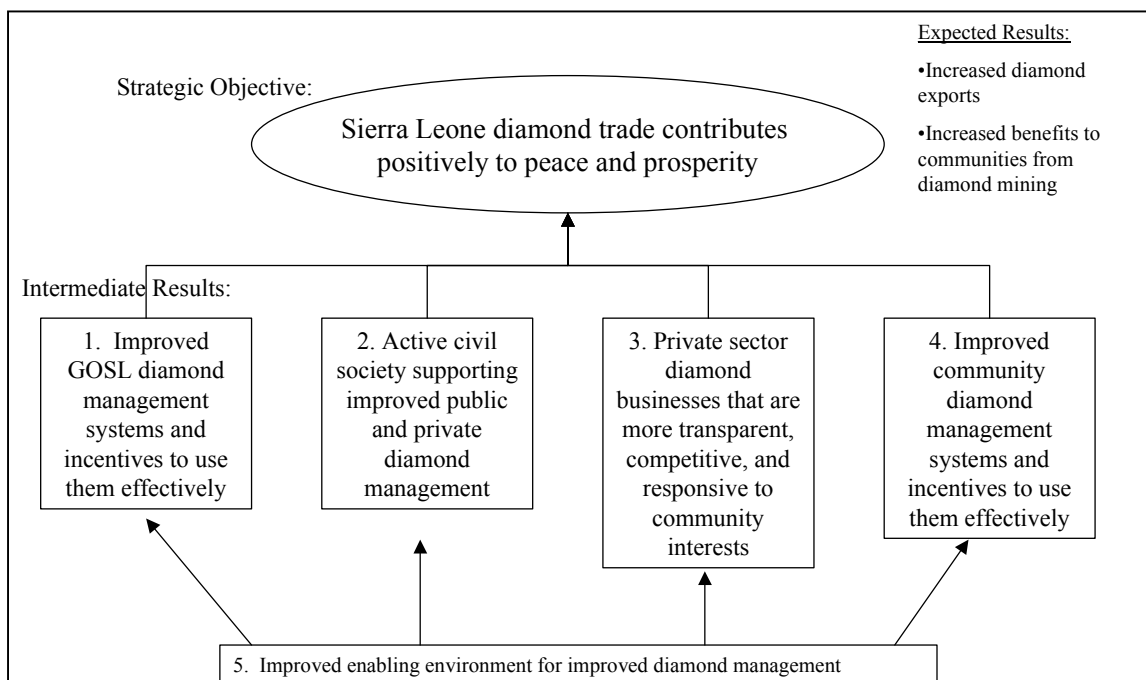
Progress continues in enforcing the agreement between the country's only operational kimberlite mining company, Koidu Holdings, and local property owners who had been adversely affected by mining operations. The Peace Diamond Alliance remains the active mediator and the chair of the local resettlement committee. This maintains the image of the PDA as a conflict management mechanism.

During the period, a PDA delegation – with World Bank funding – visited Ghana to observe artisanal mining practices there. The Technical Director visited Sierra Leone for participation in USAID's Performance Monitoring Program (PMP) workshop. Additionally, the Team Leader visited Israel to address the Tel Aviv diamond bourse.

2. INTRODUCTION

This Activity Report describes activities in the second quarter of Cooperative Agreement #636-A-00-04-00217-00, between Management Systems International and the United States Agency for International Development (USAID). These activities are executed consistently with the IDMP work plan and the objectives of the Agreement. For clarification, when using the acronym IDMP, the report is referring specifically to this USAID funded program. The Integrated Diamond Management acronym (IDM) refers to the conceptual and implementation model for diamond management.

In an effort to manage for results, activities are designed to achieve the outcomes summarized in the following results framework:



The main focus during the 2004-2005 year is ensuring that the principles of the Integrated Diamond Management (IDM) scheme are established and operational. Therefore, the greatest number of activities will appear under IR 4. In addition to providing greater benefits to local residents, IDM will also complement the Kimberley Process through the firm establishment of the Earth to Export scheme.

The following section will present activities, by Intermediate Result, including:

- An overview of the quarter.
- Summary of work completed, by activity
- Issues needing immediate attention, if any.

Subsequent sections will discuss challenges, successes, the project's financial position, lessons learned, and highlights to be aware of in the coming period.

3. PROGRESS BY ACTIVITY AREA

A. IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

1. OVERVIEW

Activities in this area were dominated by increased activity within the Diamond High Level Steering Committee and its Technical Committee. Regular (?) monthly meetings with the Technical Committee are ongoing, and because of an increasing need to ensure the execution of mutually agreed-upon decisions, the HLSC now meets more frequently. IDMP serves as Secretariat to both policy bodies, and coordinates both forums and related support activities.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

2.1 Training MMO's in monitoring IDM

Monitors are now actively engaged in Field Work with the IDM monitors in monitoring and supervising the operations of the five sponsored cooperatives. This is further supported by visits from Global Witness, whose reports have been valuable in establishing and maintaining standards.

2.2 Improving capacity to make policy

2.3 Draft logframe for GoSL/Donor coordination

Further to the conclusion of the draft logframe, a strategy paper for the implementation of the Core Mineral Policy was submitted. Such work, both in the preparation of documents and the coordination of meetings, is extremely time-consuming. Despite close working relations, particularly with the Ministry of Mineral Resources, the low levels of input and slow decision making continue to impede progress.

2.4 Support to the HLDSC Technical Committee

Activity became more intense as the membership of the Technical Committee was bolstered by the addition of additional senior members. Among objectives set by the HLSC, the following remain the key considerations of the Technical Committee:

- Terms of Reference (TOR) for the HLSC

This work is ongoing with the final publication expected in the next quarter

- Improving the effectiveness of the use of DACDF monies

A background paper was prepared for submission to the HLSC.

- Support to the MMR in drafting TOR for the Independent Investigative Commission on Monitoring (IICM)

Two issues regarding monitoring are being considered, namely how to improve monitoring capacity within the industry, and the monitoring needs of the developing Cadastre system in Koidu. This has led to a potential restructuring of all monitoring issues.

2.5 Implementing various support activities coming from HLSC

IDMP, in its role as HLSC Secretariat, also helped by clarifying funding conditions for the police Precious Minerals Monitoring Team and the Ministry of Mineral Resources Public Information Unit. Despite repeated attempts to ensure that the Ministry of Finance disbursed funds to these approved units from the Diamond Export Tax revenues (as approved in February of this year), these units have yet to receive funds, and thus are not active.

Activities undertaken opportunistically, but not included in work plan

During June, IDMP hosted Liberia's Deputy Minister of Mines, Mr. A. Kpandel Fayia, along with two UNDP representatives. The visit, although short, was beneficial to both countries, and helped to cement a closer relationship within the mining sector in the sub region. During its time in Sierra Leone the team was able to meet with the Resident Minister of State (Eastern Province) and the Kenema District Council. The team spent one morning in Tongo Fields before spending one day in Koidu. During the stay in Sierra Leone, the team examined aspects of the program activities, studying both large and small-scale mining activities, including community-based mining cooperatives. A key comment from one of the UNDP representatives was that the program had helped foster "dignity" among artisanal workers.

3. ISSUES REQUIRING ATTENTION

Considerable coordination work is still required to ensure that both the Technical and High Level Steering Committees remain viable entities, and that they contribute fully to the implementation of necessary reforms.

B. ACTIVE CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT

1. OVERVIEW

During this period the Institutional Strengthening Advisor continued to work with the Executive Committees of Kono and Tongo Fields on firming their priorities for the use of CASM (World Bank's Community and Small-Scale Mining Secretariat) funds, on their CASM-funded study tour to Ghana, and on developing a PDA proposal to the Fund for Global Human Rights. This process was reinforced by the Institutional Strengthening Advisor's work with each targeted CBO in the PDA to help them develop individual project proposals for eventual donor funding. Although this attempt to access external funding was unsuccessful, the activity increased understanding

among CBOs of how to raise funds and within the PDA of project portfolios – areas that must be strengthened to promote the sustainability of civil society participation in the sector.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

- Support to Peace Diamond Alliance

2.1 Mentoring Assistance to the Executive Committees

The Institutional Strengthening Advisor was active in coaching and mentoring members of the executive committees, including helping them finalize their study tour to Ghana and agreeing on training activities to be funded by CASM. Some EC members were trained at IPAM in Freetown on Project Based Financial Management and Logistics, while others decided to undertake training in computing locally, in Kono and in Tongo Fields. The latter training will take place during the third quarter of this year.

2.2 Provision of Technical Assistance and Training

IDMP also assisted six CBOs to identify their training needs. The CBOs were also coached to be alert to project ideas, to possibilities for future organizing of communities into mining and/or multi-purpose cooperative societies, and were also encouraged to prepare project proposals for future submissions.

In pursuing the need to expand the small stones training into a field-based activity, away from formal classrooms, two CBOs, ADAGMAK and MOCKY, were approached as potential partners. Each recommended two potential small stones trainers. These received a brief induction, a week of internship in the field, and were supervised/monitored as they intensively trained members of targeted village communities in small stones recognition, classification and weighing at the village community level in the four zones of four chiefdoms in Kono District.

2.3 Facilitation of Planning for the CASM Grant

The contentious issue of the Ghana Study Tour between the two executive committees of Kono and Tongo Fields was resolved. The PDA Secretariat assisted several EC members to secure individual passports for the tour, and nine members (five from Kono and four from Tongo Fields) participated in the five-day study tour.

Further work was undertaken to ensure that the ECs identified their training and capacity building requirements. Training in Project Based Financial Management and Logistics for five EC members occurred at IPAM (a campus of the University of Sierra Leone) in Freetown as part of the CASM grant.

After considerable consultation, the ECs decided that a suitable training institution (the African Information Technology Holdings LTD) should train fourteen EC members in computing. Training will take place in Tongo Fields and Kono for EC members during the third week of July 2005. Another EC member will also start her training at IPAM in July with an intensive two-week training course entitled: **“Enterprise Training for Women Entrepreneurs”**.

2.4 Technical Assistance to Targeted Community-Based Organizations

Work continued with MOCKY, Kuedondoya, Sinava, the Fifty-Fifty Women’s group and Pentagon Youth organization to guide them in drafting individual, small-scale project proposals for institutional building. These five mini-proposals were consolidated into a larger proposal worth US\$28,500.00 that was eventually submitted for funding to the Global Fund for Human Rights through MSI. Unfortunately, the collective proposal did not receive funding

Some of the members of the concerned CBOs are executive committee members who have received training at IPAM, as are many who are soon to receive training in computing. In addition, five of these CBOs have expressed

their need for training in project proposal development and donor funds management. This training will start soon after the general training in computing starts. Continued mentoring and coaching of the individual CBOs continues. MOCKY and ADAGMAK together recommended four small stones trainers that have been implementing this type of training in four zones of Kono District under capable supervision from the PDA Secretariat.

2.5 Implement Small Stones Training in the field

The continued demand for small stones identification training prompted the program to redesign a module that could be taken into the field, out of the traditional classroom environment to where mining communities as a whole could benefit. The small stones training was given in four zones within four chiefdoms of Kono District. The first zone, Boroma, completed the training in four weeks, during which period fifteen trainees completed three weeks of training while ten trainees completed two weeks of training. The remaining three zones will complete their training during the second week of July in the third quarter of the year.

Each of the targeted zones consisted of several villages per zone and received four weeks of the referenced training. Training results are now being evaluated for a possible way forward. Similar training is being planned for the Tongo Fields with four rural zones as in Kono District.

Activities undertaken opportunistically, but not included in work plan

Production of Two PDA Brochures

In order to update data and provide more information on the program, two information brochures were produced, one an update of the Peace Diamond Alliance and the other highlighting the formation and operating principles of the IDM monitored mining cooperatives.

Coordination of the Kadir van Lohuizen Diamond Photo Exhibition

Following the opening in Freetown in April, IDMP took this photo exhibition to Koidu and successfully displayed it for two weeks. Visitors came from far and wide, and included Sierra Leoneans from all walks of life, including community leaders, local government politicians, artisanal diamond miners, diamond dealers and exporters, students (primary, secondary, and tertiary levels), schoolteachers, members of Sierra Leone's parliament, Kono District Local Government Councilors, the Mayor of Koidu Town and her councilors, staff from the Ministry of Mineral Resources, officials of Sierra Leone Government's Gold and Diamond Office, diamond mines monitors, housewives, technocrats, law enforcement agents such as the police and the army, and hundreds of ordinary citizens and petty traders.

Although the diamond industry of Kono District in Sierra Leone is at least seventy years old, the photos in this exhibition made many people very emotional, especially in light of the corruption, smuggling, and general civil unrest that was prevalent during the country's devastating civil conflict. For some, the photos were eye openers, sentiments that they expressed verbally and in writing. While many viewed diamonds more as a curse than a blessing to the people of Kono District, others saw the exhibition as an opportunity to usher in a diamond polishing industry that could maximize profit from diamond mining

Exploration of linkages with other USAID programs

Meetings with representatives of five American NGOs to discuss "Linkages for Livelihood Security and Economic Development" – The LINKS Program will be an innovative, rural community based agricultural production and micro-enterprise for youths, women and other marginalized groups, especially those outside the diamond mining zones in Kono. It would appear that opportunities exist for training of cooperative members in business development.

3. ISSUES REQUIRING ATTENTION

The many deadlocked meetings between the Kono and Tongo Fields ECs, plus their collective inability to take decisions on the CASM grant and on several other issues, illustrate that this process still requires considerable effort from the program

In general the low skills capacity of some of the staff members of PDA Secretariat concerning basic cooperative principles and practices continued to be a constraint; this capacity needs building up and strengthening.

C. PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE, AND RESPONSIVE TO COMMUNITY INTERESTS

1. OVERVIEW

The IDMP expanded its efforts to attract investors to IDM and to facilitate entry by responsible businesses in other aspects of the diamond trade. During this time:

- The Team Leader traveled to Tel Aviv to present IDM and other investment opportunities to the Israel diamond community
- Milestone Trading Company and Tiffany & Co. were contacted. Milestone communicated an interest in investing in three cooperatives and Tiffany's in five cooperatives.
- IDMP, along with the World Bank and Fair Trade in Gems and Jewelry, co-chaired a workshop on Fair Trade diamonds, gems and precious metals.
- IDMP helped orient a company attempting to raise significant funds for a socially responsible industrial-scale alluvial diamond mining activity in Kono District.
- Contacts were made with International Diamond Management Association (IDMA) and the Belgian High Diamond Council to alert the diamond buying community of opportunities presented by IDM.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

2.1 Reduce the percentage of illegal diamond buyers in Tongo Fields.

The team met with Paramount Chief Farma and obtained his agreement to enforce dealing licenses to ensure that illegal dealers move out of Tongo Fields. Although action has been slow, the program continues to alert interested groups, and plans to raise the issue as a target for the new Tongo Fields executive at the General meeting in July.

2.2 Recruit investors to IDM Direct Investment Program.

Meetings with the CEO and CFO of Tiffany & Co. indicated a strong interest in supporting at least five cooperatives in the 2005-2006 season. IDMA's President also expressed an interest in using IDMA's offices to attract additional investors.

Milestone, a mining company based in Kono, has also pledged support to 3 mining cooperatives. Using a locally-based company may give added benefits to the cooperatives, particularly in the treatment of gravels. This option is still under investigation.

Activities undertaken opportunistically, but not included in work plan

In keeping with the Integrated Diamond Management program's broader objectives to promote a more transparent diamond industry, it is essential that improving diamond practices leading to an enhanced enabling environment in Sierra Leone be transmitted to the industry at large. In 2004, \$3 million in Sierra Leone rough diamonds were exported to Israel, representing only 2.35% of total exports, in a year in which Israel imported \$5.1 billion in rough diamonds. The diamond center of Tel Aviv, Israel is one of the largest trading and finishing centers in the world, responsible for approximately one half of the gem-quality jewelry sold worldwide. In 2004, the Israeli diamond industry was faced with the challenge of ensuring a constant supply of rough diamonds, as traditional sources declined and new producers entered the market. The Rough Diamond Committee of the Israel Diamond Institute embarked on a campaign to increase Israel's direct rough supply, holding meetings with producers from Africa, Russia and Canada.

IDMP, along with the Sierra Leone Minister for Mineral Resources and the Managing Director of CEMMATS, was invited to address the Israeli diamond industry in Tel Aviv on May 9, 2005. The meeting outlined improved practices within Sierra Leone, highlighting the recent initiatives and progress to date.

During the visit, meetings with the Israel Diamond Exchange led to an agreement for the government of Sierra Leone to invite representatives from the Israeli Diamond industry to Sierra Leone to encourage a better understanding of the problems Sierra Leone faced in. Such improved participation is expected to result in suggestions for improved systems leading to increased revenues and trading relations with Israel. The program address focused on strategic objectives to attract socially responsible investment. By highlighting current diamond opportunities that enhance the livelihoods of Sierra Leone's diamond communities, international actors understand the necessity of maintaining the trading integrity of Sierra Leone, its laws and the objectives of promoting "Development Diamonds".

The presentation benefited both Sierra Leone and IDMP by improving international recognition and understanding of the reform processes underway in Sierra Leone, and by identifying potential partners willing to responsibly invest within the IDM scheme. However, the interest generated in Israel has served to highlight the lack of clear investment codes and concise recommendations and advice to those wishing to come to Sierra Leone to buy diamonds. These omissions are to be corrected with the Ministry of Mineral Resources as part of the program's policy initiatives.

On 15 June 2005, IDMP, along with the World Bank and Fair Trade in Gems and Jewelry, co-chaired a workshop on Fair Trade diamonds, gems and precious metals. A report summarizing that meeting is posted on the IDMP website. Participation in that meeting represented another step in IDMP's efforts to add value to diamonds produced under IDM. The meeting was timely, and a committee comprised of business leaders, NGOs, and development organizations developing standards for what would constitute fair trade products. This would be an enormous accomplishment, and would provide traction for reform in Sierra Leone and elsewhere.

3. ISSUES REQUIRING ATTENTION

One large potential investor, DeBeers, has informed IDMP that it is placing its investments in IDM on hold until it can view the results of USAID's Environmental Assessment. Once that document becomes available, it would be useful for USAID/IDMP to share its findings with potential investors.

D. IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

1. OVERVIEW

Following the unseasonable weather at the end of the last period, the five cooperatives mining under IDM have made significant progress. Work has been impressive. Two cooperatives started the treatment of gravels in June. As of the end of the reporting period, some 19 carats of small diamonds were retrieved. With three more cooperatives still extracting gravel, expectations are high.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

- *Include Integrated Diamond Management training.* IDMP has been proactive in holding meetings with cooperatives to discuss basic tenets of IDM and the terms of the Investor/Coop agreement. Nevertheless, Global Witness's reports indicate that not all members fully understand all aspects of the program.
- *Develop IDM Implementation Manual.* This manual will be reviewed in light of experience during this and the next report period.
- *Develop Sustainable Artisanal Mining Procedures.* CEMMATS has now started working on this contract, but progress is delayed, and any benefit will not be apparent until next season.
- *Internal monitoring of cooperatives.* IDMP increased the number of monitors from two to five to ensure that all sites are fully monitored during washing. During the next period, Global Witness will undertake a review of existing monitoring and organize a training session for both program and MMR monitors. Monitors will complete reports each time they visit a site.
- *External Monitoring of IDM Process.* Representatives from Global Witness visited Sierra Leone to carry out an initial activity assessment. Their comments and operational observations have been crucial in developing integrity of the system.
- *Draft database/filing system for coops.* The exercise in checking cooperative membership commenced last period has been completed, and all cooperative members have been issued with an ID card. This allows monitors to easily identify those who are not members in the locality of the mining site. This was a very time-consuming and difficult exercise, with over 300 ID cards produced.
- *Agree on protocols.* As part of an ongoing process, the ROKEL Commercial Bank and the IDMP team have established all protocols for what is needed to open accounts, to deposit and maintain winnings in a safe box, and to arrange for payment. Meanwhile, all physical infrastructure needed to store winnings is now in place. As we now approach the first exports, considerable effort is being made to ensure that these maintain the program identity and value to ensure that the "fairer trade" principle is upheld.

Activities undertaken opportunistically but not included in work plan

None

3. ISSUES REQUIRING ATTENTION

As with any new and dynamic procedure, the cooperative concept is a process, and both procedures and standards are subject to change. Operational issues will be reviewed in depth immediately after the washing is completed. Fundamental issues, such as location of cooperatives, numbers of monitors, and methods of monitoring need to be reviewed. Also, despite constant follow up, the full understanding of external agreements and commitments, and the imparting of information within the cooperative are still barriers to total cooperation.

Ensuring the principle of the program is maintained as investors seek new marketing channels is an area for continued discussion.

MMR monitors are seldom present at cooperatives during washing. While this is not surprising given the large number of sites to be monitored overall (including non-IDM sites), there is an external perception that they should be present monitoring during the entire period of washing. IDMP needs to manage this perception and the real limitations of GOSL funding to develop a tight monitoring system that will meet external demands. This may well be private sector driven.

E. ENHANCED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

1. OVERVIEW

In addition to working with both the Technical Committee and the HLDSC in Freetown, IDMP is renewing policy emphasis on DACDF monitoring. During the period under review, three chiefdoms were visited in Kono to a) assess DACDF utilization and b) determine the critical issues hampering the implementation of the fund.

Ongoing policy dialogue efforts with the GOSL indicate a willingness to consider changes to policy and practices that could attract more responsible players.

The IDMP published its report, “Mining the ‘Chaos’ in Sierra Leone’s Diamond Fields: Policy and Program Implications of the Structure of the Artisanal Mining Sector in Sierra Leone.” It is available on the IDMP website, and is likely to be an important milestone in communicating IDMP understanding of the artisanal diamond mining sector.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

2.1 Ongoing Support to the HLDSC

A Total of three Technical and two HLSC meetings took place during the quarter.

2.2 Increase national awareness of diamond issues

From the beginning of USAID/MSI discussions in Kono, community members have expressed their acute frustration at lacking basic information on the diamond industry. In trying to address this information gap, IDMP learned that radio coverage in much of the target area is weak and, has accordingly adopted a community-based approach to empowering people with information. Following several meetings with the MMR, Town Chiefs, and other local authorities, a total of 60 geographic zones were identified as communication nodes. These are located in the six chiefdoms in Kono currently producing diamonds (Gbense, Tankoro, Nimikoro, Sandor, Kamara and Nimiyama) and the Lower Bambara chiefdom (Tongo Fields) in the Kenema District.

The principle behind the establishment of these zones was to:

- Get information of the PDA to local communities where the bulk of the population is concerned with diamond management issues.
- Inform the public of the basis of DACDF distribution and utilization.
- Make mining communities aware of the impact of different mining practices on the environment.
- Increase awareness of legal and profitable diamond marketing systems.
- Update communities on Government mining policies.

To promote ongoing local participation in communication of critical diamond management issues, local “Zonal Executives” were established in each of the zones created. At a day-long meeting of all the Zonal Executives, consensus was reached on how awareness-raising meetings should be structured, on which priorities the campaign should focus, and on what the communities’ responsibilities would include.

So far, twelve of these awareness-raising meetings have been held. Sites in Kono include Boroma, Small Sefadu, Peyima, Ndorgboi, Tefeya, Yardu Gbense, Bandafayie and Bongema. In Lower Bambara, (Tongo Fields) Wuima, Tokpombu, Bomie and Lalehun held meetings.

2.3 Improve effectiveness of DACDF

Communities, government, and the HLDSC continue to raise DACDF as a critical issue needing attention. The most often cited concerns include:

- Lack of DACDF awareness at the local level
- Inappropriate representation and participation in project decision-making processes
- Technical and/or absorptive capacity to utilize funds
- Conflicting roles between chiefdom authority and Local Councils to implement the fund

The program has taken a lead role in trying to address these issues. Following the Government pronouncement that the fund should be managed by NACSA, IDMP arranged a workshop (to be held in the next quarter) in Kenema with chiefs and local government officials to seek response from the Eastern Province as to how to improve the effectiveness of the fund. The results are expected to form a basis for a reevaluation of the program by the HLDSC.

2.4 Monitor Kaisambo Mining Activities:

Despite a visit by monitors to the reclamation site, progress remains slow. The contractor claims that it is awaiting payments from the GOSL. Meanwhile, the monitoring group left Kono with many unanswered questions from the contractor, and, until certain aspects of the first phase, such as opening up of the drainages, and the closure of some of the large craters, are completed, the release of the next tranche appears very unlikely.

Activities undertaken opportunistically but not included in work plan

To raise mining communities' awareness of environmental management, and especially of damages due to mining activities, IDMP organized a celebration of World Environment Day on June 5 in Koidu. The Minister of Lands, Housing and the Environment, supported by the Minister of Agriculture, gave the keynote address. Pledges of support to environmental concerns were made by NGOs, communities, local authorities and women's groups. The occasion ended with tree planting ceremonies in various public places within the township of Koidu.

F. MANAGEMENT ACTIVITIES

1. OVERVIEW

During this period the Institutional Strengthening Advisor assumed the role of Deputy Team Leader as well.

2. WORK SUMMARY, BY ACTIVITY

Activities scheduled in work plan

The website has been reformatted to make it more user friendly.

Activities undertaken opportunistically, but not included in work plan

The Team Leader, Policy Advisor, and Technical Director attended USAID's PMP meeting in Lakka, Sierra Leone.

3. ISSUES REQUIRING ATTENTION

Conduct M & E based on IDMP's SO's and IR's.

It would assist project planning to learn what USAID's plans are for the funds that were planned to capitalize a loan fund, pending the results of the USAID's Environmental Assessment (EA). During the period, IDMP met with USAID's Regional Environmental Officer and USAID/Guinea's NRM Officer to discuss their work with the Environmental Assessment of IDMP. USAID's CTO and Country Manager were also present. It was agreed

that, since IDMP has succeeded in attracting direct private sector investment in the IDM, a formal credit scheme was not needed. It is not clear if any of those funds will be made available to the program if the credit program did not proceed, as suggested in the project document. Guidance on this issue would be helpful.

4. NOTABLE SUCCESSES AND RELEVANT TRENDS

A number of important milestones have been achieved this quarter:

1. The IDM cooperatives have been effective in producing diamonds during this period;
2. Paramount Chief Farma has allocated a portion of the tailings in Tongo Fields for use by IDM cooperatives and The Rapaport Group has agreed in principle to finance production;
3. IDMP has successfully reached out to the diamond business community, arranging for an Israeli investor delegation to visit Sierra Leone in August, and obtaining verbal commitments from two diamond organizations to finance eight additional cooperatives
4. IDMP has taken a lead role in instigating a movement towards establishing fair trade diamonds, gold, and gems.

5. CHALLENGES DURING PERIOD, AND RESPONSES

The continued efforts of the program have gained greater recognition, both nationally and internationally. However with increased recognition comes an increased demand upon the time of the existing staff. The program continuously needs to review its own progress and capabilities. Within the next reporting period such an internal review will be undertaken to ensure it does not become “overloaded”, that quality remains high, and that it avoids straying from priority areas.

IDMP is an effort to make fundamental reforms to the artisanal mining industry. If it is successful, certain powerful stakeholders are likely to try to halt progress. Fortunately, we do not anticipate that this will take the form of physical attacks on project facilities or IDMP staff. It is more likely to surface as efforts to discredit the staff and the program. This can come from a variety of sources. As the program breaks the highly symbolic barrier in the coming quarter of actually exporting artisanally produced diamonds transparently, we should anticipate a variety of such assaults. USAID, State, and MSI need to be aware of such efforts, investigate their veracity immediately, and address them proactively, in partnership with the GOSL. Indeed, such efforts are a sign that the program is having a greater impact.

7. EVENTS, VISITORS, AND TRAVEL

The Team Leader traveled to Israel to address the Israeli Diamond Bourse in Tel Aviv. The Liberian Deputy Minister of Mines and UNDP (Liberia) visited the program, along with staff from UDNP/Liberia.

PDA Executive members conducted a study tour to Ghana.

Foreign Investment Advisory Service (FIAS) Manager Nigel Twose visited the program in Koidu.

The Technical Director traveled to Washington D.C. the week of 13 June to attend the CASM conference and to co-host the Fair Trade Conference at the World Bank. The TD also visited Sierra Leone to attend USAID's PMP meeting and to provide support to the program.

Highlights of Upcoming Period

A. IMPROVED GOSL DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

The IDMP, in partnership with DfID, will conduct a study of the challenges in implementing an effective anti-money laundering law, with an emphasis on diamonds.

A workshop will be held in Kenema with Chiefs to improve the effectiveness of the DACDF.

B. ACTIVE CIVIL SOCIETY SUPPORTING IMPROVED PUBLIC AND PRIVATE DIAMOND MANAGEMENT

The PDA AGM will be held in Koidu on 17-18 August 2005.

The program will again work with the Executive Committees of the Peace Diamond Alliance to continue to strengthen their capacity.

C. PRIVATE SECTOR DIAMOND BUSINESSES THAT ARE MORE TRANSPARENT, COMPETITIVE, AND RESPONSIVE TO COMMUNITY INTERESTS

We hope to be able to finalize the investors for the twenty-five cooperatives targeted for next season.

Negotiations will continue with anticipated local partners, such as Milestone.

D. IMPROVED COMMUNITY DIAMOND MANAGEMENT SYSTEMS AND INCENTIVES TO USE THEM EFFECTIVELY

First IDM diamond exports – Some of the first diamonds produced by the program will be exported.

Cooperatives in Tongo Fields will be trained to participate in IDM in the coming season.

E. IMPROVED ENABLING ENVIRONMENT FOR IMPROVED DIAMOND MANAGEMENT

IDMP will assist Foundation for Environmental Security and Sustainability to submit a proposal to Tiffany Foundation to improve environmental management in Kono and Tongo Fields.

F. PROGRAM MANAGEMENT ACTIVITIES

An internal review of procedures, operations and staffing will be undertaken to improve efficiency prior to the start of the next mining season.

8. LESSONS LEARNED

- The Peace Diamond Alliance continues to serve as an effective conflict management mechanism in the local diamond sector. However, indigenous initiative within the PDA remains weak, as it still requires considerable drive and support from the Secretariat.
- IDMP efforts in Sierra Leone are increasingly recognized. However demands associated with recognition often lead to additional responsibilities, which can require increased staffing and management burdens.
- As further private sector funding is pledged for the IDM program, it is necessary to build additional costs into those funds. On-site monitoring at the levels required, for example, is time-consuming and costly.
- There are a large number of administrative, systemic, and bureaucratic challenges related to managing IDM that must be addressed during this pilot year of IDM. Mistakes will certainly be made, and systems will inevitable have flaws. We must focus on what can be improved in order for the program to succeed in the future.